

# Delaware OPEB Trust



October 23, 2017

# Topics for Discussion



❧ OPEB Plan Overview

❧ Historical Review

❧ 6/30/2017 results

❧ GASB Changes

# What is OPEB?



- ❧ Other Post-Employment Benefits other than pension plans
- ❧ Governmental Accounting Standards Board (GASB) establishes employer financial accounting/reporting for OPEB fund
- ❧ Statements 43/45 effective FY08 – FY17  
Statements 74/75 effective FY18

# Background



- ❧ A Delaware statutory trust was established to accumulate assets for the purpose of offsetting State contributions for OPEB
- ❧ The OPEB Trust has received a favorable Private Letter Ruling from the IRS
- ❧ Oversight of the OPEB Trust was given to Pension Board of Trustees for investment purposes, currently \$355 million in assets



# OPEB Contributions



Source of Contribution	Amount
Percentage of Payroll	\$136,889,457
Health Care Program Savings	\$21,734,508
Escheat	\$33,608,329
Retiree Drug Subsidy	\$27,056,009
Low Income Subsidy Program (ACA)	\$616,524
<b>Total OPEB Contributions</b>	<b>\$219,904,827</b>

# Index Fund Replication



- ❧ Allocation of funds designed to replicate risk index used in DPERS
- ❧ Money Market fund at Custodian, 2%
- ❧ Stock Market Index fund, 38%
- ❧ International Stock Index fund, 20%
- ❧ Bond Index fund, 40%

# OPEB Plan Overview

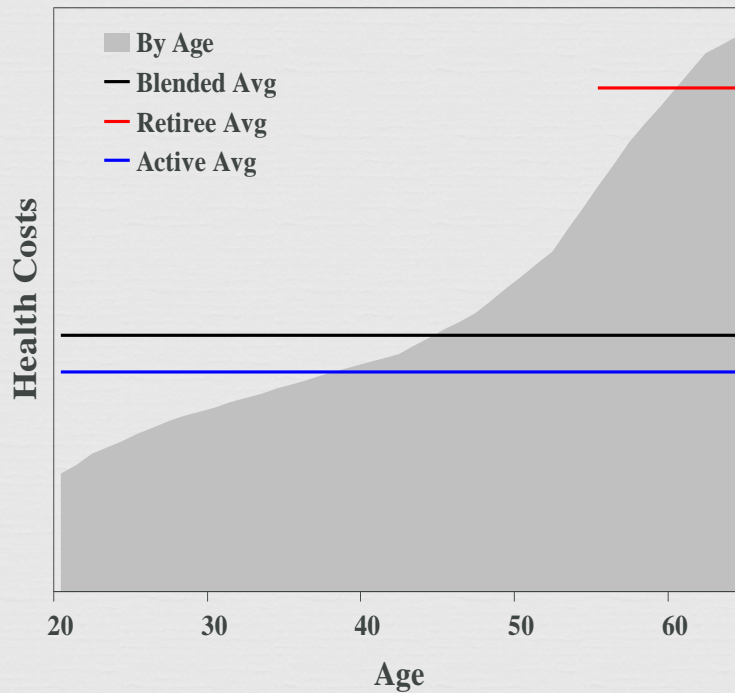


- ❧ OPEB Plan covers State Employees', Judiciary, and State Police Plans
- ❧ Medical and Rx benefits
- ❧ Non-Medicare premium is based on active premium rates
- ❧ The state provides 0%, 50%, 75% or 100% coverage of state share for retiree and dependents, based on service
- ❧ The State covers 95% of Medicare premiums for both retiree and spouse, for those retired after 7/1/2012

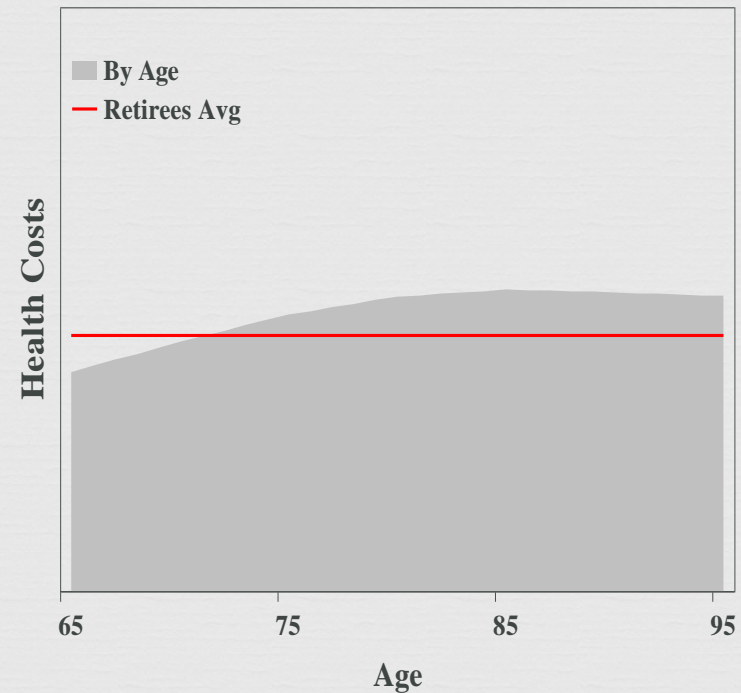
# How Actuaries Estimate Liability



Pre-Medicare Costs



Post-Medicare Costs



- ❧ Determine the cost per person by age
- ❧ And then subtract retiree contributions



# GASB 43/45 History



Table 3

Schedule of Employer Contributions  
(\$ in millions)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
2017	\$ 542.5	44%	\$ 2,699.7
2016	425.6	51%	2,390.8
2015	404.4	56%	2,174.4
2014	406.7	50%	1,988.5
2013	397.8	52%	1,777.5
2012	490.5	38%	1,588.9
2011	488.1	37%	1,279.4
2010	480.0	36%	963.9
2009	516.2	31%	648.9

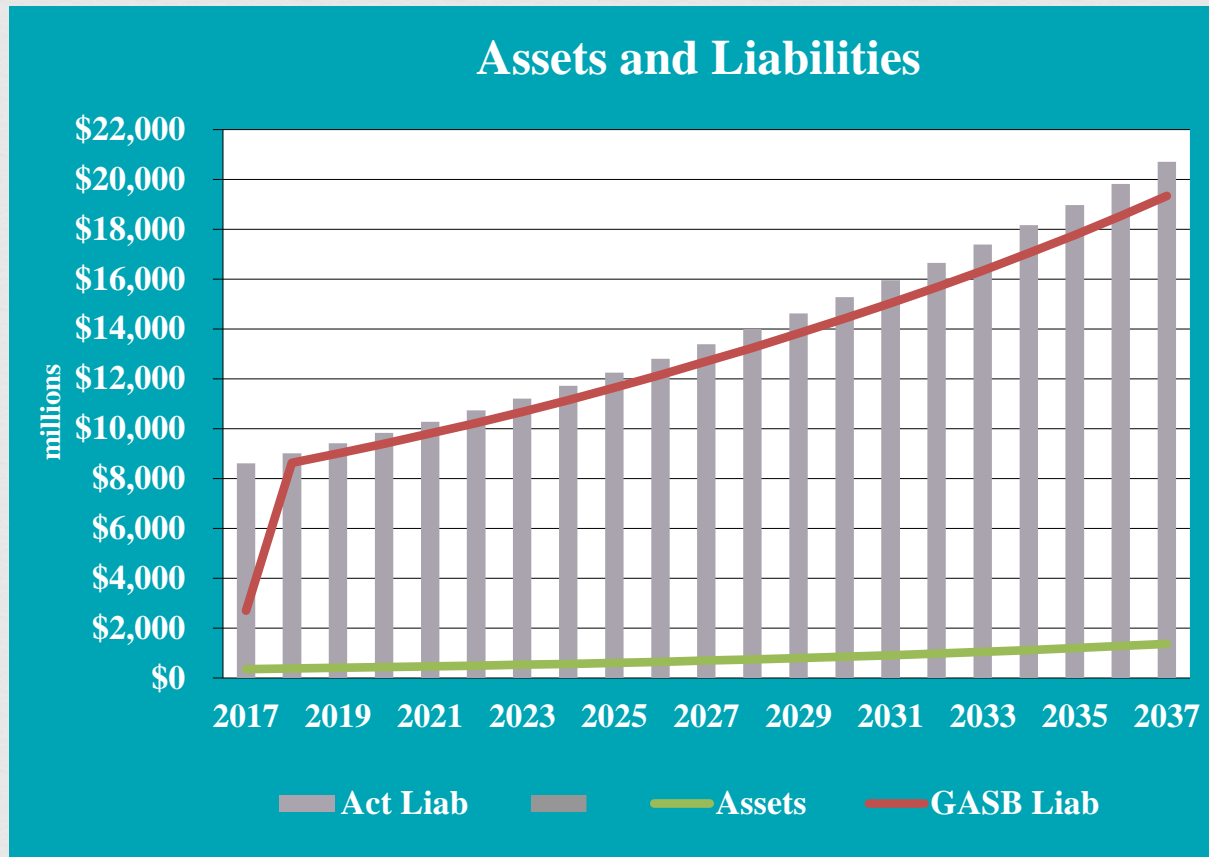
# Valuation Results



Table 2  
Schedule of Funding Progress  
(\$ millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2017	\$ 355	\$ 8,611	8.256	4.13%	\$ 2,052	402%
7/1/2016	310	8,039	7,729	3.86%	2,035	380%
7/1/2015	312	6,321	6,009	4.94%	2,048	293%
7/1/2014	290	5,946	5,656	4.90%	2,038	277%
7/1/2013	222	5,988	5,766	3.72%	1,944	297%
7/1/2012	163	5,805	5,641	2.80%	1,885	299%
7/1/2011	144	6,769	6.625	2.10%	1,787	371%
7/1/2010	104	5,884	5,780	1.80%	1,798	321%
7/1/2009	83	5,636	5,553	1.50%	1,811	307%
7/1/2008	79	5,489	5,410	1.40%	1,770	306%

# Impact on OPEB due to GASB 74/75



Based on 3.58% interest rate. The interest rate required under GASB 74/75 is expected to change every year.

# Moving Forward



- ❧ Long term OPEB funding options
- ❧ Benefit design changes to lower liability